



27 September 2005



Cost of Living Allowance and the 2005 European Surveys

1. In May of this year I asked for your help in ensuring maximum participation in the 2005 Cost of Living Allowance (COLA) Survey process. In Bell Sends 22-05, I explained the importance of surveys in re-baselining the COLA index, which had, over many years, become less representative of our changing environment. The survey results are in, and they indicate adjustments are required to the COLA index. These adjustments will take effect on 1 January 2006. Some communities will see an increase in their COLA rates, and others will see a decrease. Across the board, however, I believe we achieved our goal of re-baselining the indexes through sound and comprehensive surveys. The purpose of this message is to explain what COLA is and how the surveys play a part in making sure our Servicemembers receive the appropriate amount of COLA.

2. COLA is a nontaxable Department of Defense allowance that compensates our Servicemembers for differences between the cost of living here at their location in Europe and in the United States. Several factors determine the rate for COLA, including the euro exchange rate, Servicemember and family member shopping patterns, goods and services available on local military installations, and prices of items throughout our communities.

- Surveys are the regulatory tools used to determine shopping patterns and prices in communities, and to ensure COLA is set at levels authorized by law. The survey results establish the index that determine how much COLA is paid to Servicemembers living in a particular community. Through your leadership and participation, 12,168 people responded to the online survey, reporting what they buy and where they buy it. This represents a highly credible response. Appointed representatives from the designated community then collected prices at locations from the survey to establish price levels in each community. These price levels are then compared against CONUS price levels of similar goods and services for military families. The COLA compensates Servicemembers for the difference in these price levels.

- Servicemembers can look up their COLA rate at <https://secureapp2.hqda.pentagon.mil/perdiem/ocform.html>. A decrease in COLA indicates that the gap between CONUS and OCONUS prices for Servicemembers has narrowed. This does not necessarily mean that prices in the European community have declined, as it could be a function of increasing prices in the United States. It could also mean that more goods and services are available through AAFES or other concessionaires on your installation, instead of your having to obtain the goods / services off post. More information about COLA and the changes can be found at <https://secureapp2.hqda.pentagon.mil/perdiem>. Clicking on Overseas COLA, and again on COLA INDEXES will lead to the published index rates.

ANY MISSION, ANYWHERE!

B
E
L
L

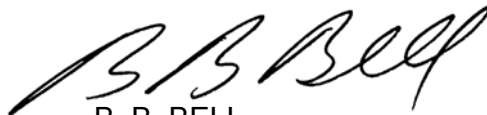
S
E
N
D
S

#

38-05

3. The euro exchange rate, which also affects COLA, is applied to the portion of shopping conducted off post. While the shopping patterns are surveyed at least every 3 years and price levels must be reviewed annually, the euro exchange rate can affect your COLA authorization any time. This is why we see continuous and periodic changes to our COLA throughout the year.

4. We have worked hard to execute this COLA survey process professionally and properly. As noted above, some COLA rates will decrease and some will increase. I want everyone to know that we have judiciously followed our Federal rules and regulations to ensure our processes and results are fair, accurate, and accountable to audit. We owe it to you and to all American taxpayers to follow prescribed rules, regulations, and processes pretty much to the letter in determining COLA rates. I commend your efforts to ensure this allowance is set at the right rates to accurately reflect our environment today. We will continue to conduct surveys required by regulation and to implement COLA adjustments when needed. Leaders must continue to emphasize the importance of these surveys throughout their organizations. Supporting these surveys is the only way to ensure that our Servicemembers continue to receive the appropriate COLA they are authorized and deserve. Our POC for COLA surveys and actions in Europe is the 266th Finance Command homepage at <http://266fincom1.hqusareur.army.mil/>.



B. B. BELL
General, US Army
Commanding

B
E
L
L

S
E
N
D
S

#

38-05

ANY MISSION, ANYWHERE!